

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 1736 - SB 1751

March 4, 2018

SUMMARY OF BILL: Removes the amusement tax exemption on dues, membership application fees, admission fees, contributions or equipment rental charges charged by physical fitness facilities which do not meet new exemption criteria established by this legislation. Establishes that a nonprofit, charitable corporation, under the federal Internal Revenue Code § 501(c)(3), which meets the criteria provided in this legislation, is authorized to claim such exemption.

ESTIMATED FISCAL IMPACT:

Increase State Revenue – \$679,100

Increase Local Revenue - \$277,100

Assumptions:

- An effective date of July 1, 2018.
- Pursuant to Tenn. Code Ann. § 67-6-330 (a)(16), dues, membership application fees, admission fees, contributions or equipment rental charges which are charged by a physical fitness facility may be exempted from amusement tax liability if the facility meets certain criteria.
- Based on information provided by the Department of Revenue (DOR), there were 27 entities that qualified for this exemption in FY16-17, which as a result of this legislation, will no longer be able to claim such exemption.
- Total charges applicable to these 27 entities totaled \$10,065,997. This number is assumed to remain constant into perpetuity under current law.
- Pursuant to Tenn. Code Ann. § 67-6-212(a), the amusement tax is equal to the state and local sales and use tax levied on the sale of tangible personal property at retail. The current state sales tax rate is 7.0 percent; the average local option sales tax rate is estimated to be 2.5 percent. The effective rate of apportionment to local government pursuant to the state-shared allocation is estimated to be 3.617 percent.
- A recurring increase in state revenue of revenue of \$679,134 $[(\$10,065,997 \times 7\%) - (\$10,065,997 \times 7\% \times 3.617\%)]$.
- A recurring increase in local revenue of \$277,136 $[(\$10,065,997 \times 2.5\%) + (\$10,065,997 \times 7\% \times 3.617\%)]$.

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CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in dark ink that reads "Krista M. Lee". The signature is written in a cursive, flowing style.

Krista M. Lee, Executive Director

/jdb